



JUL 21 2004

TO: Wade F. Horn, Ph.D.
Assistant Secretary
for Children and Families

Mark B. McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services

FROM: Dara Corrigan *Dara Corrigan*
Acting Principal Deputy Inspector General

SUBJECT: Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Virginia Under the State Children's Health Insurance Program (A-03-02-00203)

Attached is an advance copy of our final report on the ability of noncustodial parents to contribute toward the medical costs of Title IV-D children in Virginia under the State Children's Health Insurance Program (SCHIP). We will issue this report to the Commonwealth within 5 business days.

The Child Support Performance and Incentive Act of 1998 (Public Law 105-200, effective October 1, 2001) encourages States to enforce medical support orders and provide health care coverage to uninsured children. Pursuant to the law, the Secretaries of Health and Human Services and Labor established the Medical Child Support Working Group and appointed the members from the child support community. In June 2000, the Working Group issued a report to both Secretaries identifying impediments to effective enforcement of medical support orders and recommending solutions. Because medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable, some children who receive child support (Title IV-D children) are enrolled in SCHIP. In such cases, the Working Group recommended that States authorize decisionmakers, such as judges, to require noncustodial parents to contribute toward the costs of SCHIP benefits for their children.

We reviewed two populations of Title IV-D children in Virginia: children who were not enrolled in SCHIP and children who were enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums if their children had been enrolled
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums

We conducted similar audits in six other States on which we will issue final reports. We conducted these audits as a result of a March 2002 Office of Inspector General report that identified significant savings potential in Connecticut if noncustodial parents were required to contribute toward the SCHIP premiums of their children.

Virginia has an opportunity to increase SCHIP enrollment and have noncustodial parents pay a portion of the associated costs. Based on a statistically valid sample, we estimated that 14,804 Title IV-D children would have been eligible to receive SCHIP benefits during the audit period of June 1, 2001 to May 31, 2002. The noncustodial parents of 9,929 of these additional children could potentially contribute \$5,209,038 toward the \$7,297,284 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled.

We also determined that 1,116 Title IV-D children received SCHIP managed care benefits during the audit period. An estimated 446 of these children had noncustodial parents who could potentially contribute \$193,453 toward the \$303,041 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

Based on our review, we recommend that Virginia:

- use the Title IV-D agency as an enrollment tool for SCHIP
- broaden its authority to require noncustodial parents with medical support orders to pay all or part of the SCHIP premiums for their dependent children

The Commonwealth agreed with the concept of holding financially able parents accountable for the medical expenses of their children but said that doing so would require an automated interface between the SCHIP and Title IV-D databases, without which our recommendation would be cost prohibitive. Additionally, they stated that the recommendation could not be implemented by comparing SCHIP enrollment and Title IV-D records due to a lack of required information. The Commonwealth also pointed out that it would need legislation authorizing the courts and the Title IV-D agency the flexibility to either order private health care coverage, if available at a reasonable cost, or to require that a percentage of income be contributed toward SCHIP premiums.

According to the Commonwealth, the Title IV-D agency could refer children to SCHIP but could not require children to enroll in SCHIP. The Commonwealth also pointed out that it recently changed its SCHIP program to increase enrollment by not requiring families of recipients to cooperate with the Title IV-D agency as a condition of eligibility.

We agree that an interface between the Title IV-D and the SCHIP agencies would be a more efficient means to require financially able parents to contribute toward their children's SCHIP premiums. However, until this interface is complete, the Commonwealth could accomplish similar results by periodically (semiannually or annually) comparing SCHIP enrollment and Title IV-D records and possibly focusing on those SCHIP premiums that exceed a certain dollar threshold. We found the information required for this comparison in the Commonwealth's SCHIP system and made a similar comparison of our sample cases with the assistance of SCHIP system personnel. The Commonwealth could use information technology experts from its SCHIP and Title IV-D agencies to determine how to extract the necessary data.

If you have any questions or comments about this report, please do not hesitate to call me or have your staff contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175 or e-mail him at Donald.Dille@oig.hhs.gov. Please refer to report number A-03-02-00203 in all correspondence.

Attachment



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OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
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JUL 22 2004

Mr. Maurice A. Jones
Commissioner
Virginia Department of Social Services
7 North Eighth Street
Richmond, Virginia 23219-1849

Dear Mr. Jones:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of the Ability of Noncustodial Parents To Contribute Toward the Medical Costs of Title IV-D Children in Virginia Under the State Children's Health Insurance Program." A copy of this report will be forwarded to the HHS official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR Part 5).

Please refer to report number A-03-02-00203 in all correspondence.

Sincerely,

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Director, Office of Audit Resolution and Cost Policy
Office of Finance
Assistant Secretary for Budget, Technology and Finance
U. S. Department of Health and Human Services
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE ABILITY OF
NONCUSTODIAL PARENTS TO
CONTRIBUTE TOWARD THE
MEDICAL COSTS OF TITLE IV-D
CHILDREN IN VIRGINIA UNDER THE
STATE CHILDREN'S HEALTH
INSURANCE PROGRAM**



**JULY 2004
A-03-02-00203**

Office of Inspector General

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The State Children's Health Insurance Program (SCHIP) allows States to provide free or affordable health care coverage to uninsured children in families whose incomes are too high to qualify for Medicaid but too low to afford private coverage. Because medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable, some children who receive child support (Title IV-D children) are enrolled in SCHIP.

During our audit period, Virginia law did not require that Title IV-D children be enrolled in SCHIP when private insurance was not available or too costly. Additionally, there was no State or Federal requirement for noncustodial parents to contribute toward the SCHIP premiums (State capitation payments) paid on behalf of their children. As a result, Virginia and the Federal Government paid the costs incurred by children receiving SCHIP benefits.

OBJECTIVES

We reviewed two populations of Title IV-D children in Virginia: children who were not enrolled in SCHIP and children who were enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums if their children had been enrolled
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums

Our audit covered June 1, 2001 through May 31, 2002.

SUMMARY OF FINDINGS

Children Potentially Without Health Insurance

Virginia has an opportunity to enroll potentially uninsured Title IV-D children in SCHIP and provide a means for noncustodial parents to fulfill their medical support obligations. We estimated that 14,804 children whose noncustodial parents were unable to provide court or administratively-ordered medical support would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available. An estimated 9,929 of these children had noncustodial parents who could potentially contribute \$5,209,038 toward the \$7,297,284 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled. Our estimate of these contributions was based on the assumption that all children would have been enrolled in an SCHIP managed care plan.

Children Who Received SCHIP Benefits

We determined that 1,116 Title IV-D children received SCHIP managed care benefits during the audit period because their noncustodial parents were unable to provide court or administratively-ordered medical support. An estimated 446 of these children had noncustodial parents who could potentially contribute \$193,453 toward the \$303,041 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

RECOMMENDATIONS

Based on our review, we recommend that Virginia:

- use the Title IV-D agency as an enrollment tool for SCHIP
- broaden its authority to require noncustodial parents with medical support orders to pay all or part of the SCHIP premiums for their dependent children.

COMMONWEALTH'S COMMENTS

The Commonwealth agreed with the concept of holding financially able parents accountable for the medical expenses of their children but said that doing so would require an automated interface between the SCHIP and Title IV-D databases, without which our recommendation would be cost prohibitive. Additionally, they stated that the recommendation could not be implemented by comparing SCHIP enrollment and Title IV-D records due to a lack of required information. The Commonwealth also pointed out that it would need legislation authorizing the courts and the Title IV-D agency the flexibility to either order private health care coverage, if available at a reasonable cost, or to require that a percentage of income be contributed toward SCHIP premiums.

According to the Commonwealth, the Title IV-D agency could refer children to SCHIP but could not require children to enroll in SCHIP. The Commonwealth also pointed out that it recently changed its SCHIP program to increase enrollment by not requiring families of recipients to cooperate with the Title IV-D agency as a condition of eligibility. The Commonwealth's comments are included in their entirety in Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

We agree that an interface between the Title IV-D and the SCHIP agencies would be a more efficient means to require financially able parents to contribute toward their children's SCHIP premiums. However, until this interface is complete, the Commonwealth could accomplish similar results by periodically (semiannually or annually) comparing SCHIP enrollment and Title IV-D records and possibly focusing on those SCHIP premiums that exceed a certain dollar threshold. We found the information required for this comparison in the Commonwealth's SCHIP system and made a similar comparison of our sample cases with the assistance of SCHIP system personnel. The Commonwealth could use information technology experts from its SCHIP and Title IV-D agencies to determine how to extract the necessary data.

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INTRODUCTION

BACKGROUND

Child Support Enforcement Program

The child support enforcement program was enacted in 1975 under Title IV-D of the Social Security Act. The program establishes and enforces support and medical obligations owed by noncustodial parents to their children. Within the Federal Government, the Administration for Children and Families (ACF), Office of Child Support Enforcement is responsible for administering the program. In Virginia, the Department of Social Services, Division of Child Support Enforcement (DCSE) administers the program.

When a child support order is established or modified, DCSE is required to seek medical support if the noncustodial parent has access to employer-sponsored health insurance at a reasonable cost. The amount of child support (both cash and medical) that a noncustodial parent is obligated to pay is based on Commonwealth guidelines.

State Children's Health Insurance Program

The Balanced Budget Act of 1997 established SCHIP under Title XXI of the Social Security Act. This program allows States to provide free or affordable health care coverage to uninsured children in families whose incomes are too high to qualify for Medicaid but too low to afford private coverage. Within the Federal Government, the Centers for Medicare & Medicaid Services (CMS) administers SCHIP.

Virginia implemented its SCHIP plan in 1998. On August 1, 2001, Virginia changed the name of the program to Family Access to Medical Insurance Security. To be eligible for the program, a child must be under the age of 19, be a resident of Virginia, have no other health insurance (Medicaid or private), and meet family income limits. In Virginia, the Department of Medical Assistance Services (VDMAS) administers SCHIP through established fee-for-service schedules or by contracting with managed care organizations to provide services to qualified recipients at negotiated SCHIP premiums. Families pay \$15 a month for each child, limited to a total of \$45 for each family. Families are also responsible for coinsurance for some SCHIP services.¹ Federal and State funds subsidize the difference between the amount families pay and the total amount of SCHIP expenditures.

Related Reports

On March 13, 2002, we issued a report (A-01-01-02500) showing that an additional 11,600 uninsured children in Connecticut could have been enrolled in SCHIP if the State Title IV-D agency had been used as an enrollment tool. In addition, the report noted that noncustodial parents could potentially contribute approximately \$10.9 million (\$7.1 million Federal share) toward the cost of enrolling these children in SCHIP. We recommended that Connecticut require noncustodial parents to enroll their children in SCHIP when other health insurance is not available at a reasonable cost

¹Coinsurance came into effect with the Family Access to Medical Insurance Security plan in August 2001.

and assess the ability of noncustodial parents to contribute toward the SCHIP premiums of their children.

The Child Support Performance and Incentive Act of 1998 (Public Law 105-200, effective October 1, 2001) encourages States to enforce medical support orders and provide health coverage to uninsured children. Pursuant to the law, the Secretaries of Health and Human Services and Labor established the Medical Child Support Working Group and appointed the members from the child support community. In June 2000, the Working Group issued a report to both Secretaries identifying impediments to effective enforcement of medical support and recommending solutions. The Working Group recommended, among other things, that States authorize decisionmakers, such as judges, to require noncustodial parents to contribute toward the costs of SCHIP benefits for their children when employer-sponsored health insurance is not available or not affordable.

After considering the Working Group's report and the results of our work in Connecticut, we initiated reviews in New York, Indiana, Michigan, New Jersey, North Carolina, Texas, and Virginia. The objective of these reviews was to identify savings to SCHIP if noncustodial parents had been required to contribute toward the costs of SCHIP benefits for their children.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

We reviewed two populations of Title IV-D children in Virginia: children who were not enrolled in SCHIP and children who were enrolled in SCHIP. Our objectives were to determine:

- the number of children, potentially without health insurance, who would have been eligible to receive SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums if their children had been enrolled
- the number of children who received SCHIP benefits and the amount that the noncustodial parents could potentially contribute toward SCHIP premiums

Scope

For the period of June 1, 2001 through May 31, 2002, we reviewed a statistically valid sample of:

- 200 children from a population of 36,107 Title IV-D children who did not receive SCHIP benefits
- 100 children from a population of 1,116 Title IV-D children who received SCHIP benefits while in a managed care plan

We did not review children in the SCHIP fee-for-service program; these children represented 25 percent of all SCHIP children during the audit period.

We did not review the overall internal control structure of the Title IV-D agency or VDMAS. We did, however, review pertinent controls over the establishment and enforcement of child and medical support orders.

Methodology

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, policies, and procedures
- interviewed DCSE and VDMAS officials
- examined State records related to sampled items
- tested the accuracy and completeness of data obtained
- identified noncustodial parents who met our review criteria
- calculated potential savings to the Federal and State Governments
- determined the child support reduction resulting from increased noncustodial parent medical support payments

We selected the sampled items using a simple random sample design. Details on our methodologies and savings calculations can be found in Appendix A. Appendices B through E provide details on our sampling results and projections.

We conducted our review in accordance with generally accepted government auditing standards. We performed fieldwork at DCSE and VDMAS in Richmond, VA, between June 10, 2002 and May 1, 2003.

FINDINGS AND RECOMMENDATIONS

Virginia has an opportunity to enroll uninsured Title IV-D children in SCHIP and provide a means for noncustodial parents to fulfill their medical support obligations. We estimated that 14,804 uninsured children would have been eligible to receive SCHIP benefits during the audit period if no other health insurance had been available. We also estimated that 9,929 of these children had noncustodial parents who could potentially contribute \$5,209,038 toward the \$7,297,284 (Federal and State combined) in premiums that would have been incurred if the children had been enrolled. The noncustodial parent contributions were based on the assumption that all children would have been enrolled in an SCHIP managed care plan.

We also determined that 1,116 Title IV-D children received SCHIP managed care benefits during the audit period. An estimated 446 of these children had noncustodial parents who could potentially contribute \$193,453 toward the \$303,041 in SCHIP premiums (Federal and State combined) paid on behalf of their children.

FEDERAL AND STATE REQUIREMENTS

Federal Laws and Regulations

Over the past decade, several Federal laws and regulations have been enacted to provide health insurance for uninsured children. Under 45 CFR § 303.31(b), a medical support order must be established to include health insurance that is available to the noncustodial parent at a reasonable cost. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 directs the Title IV-D agency to notify an employer of a noncustodial parent's medical support obligation and directly enroll his or her children if a health plan is available. The Child Support Performance and Incentive Act of 1998 encourages States to enforce medical support orders and provide health coverage to uninsured children.

Although the intent of these laws and regulations is to provide private medical coverage to uninsured children, medical support orders are not enforceable when employers do not provide health insurance or the cost is unreasonable.

Commonwealth Laws

Title 63.2 of the Virginia Code requires child support for dependent children under age 18. Section 1924 of Title 63.2 requires child support orders to have a provision for medical support. However, at the time of our review, there were no requirements to enroll Title IV-D children in a health plan, including SCHIP, when private health care insurance was not available or too costly. Additionally, there was no requirement for noncustodial parents to contribute toward the premiums paid on behalf of children enrolled in SCHIP. As a result, Virginia and the Federal Government paid SCHIP premiums for those children.

SAMPLE RESULTS AND PROJECTIONS

Initial Analysis of Sampled Items

We analyzed the sampled children in each population to identify those whose noncustodial parents during the audit period:

- had a current child support obligation
- made a minimum of three child support payments
- were ordered to provide medical support but could not because it was either not available or too costly

We eliminated from our detailed analysis those sampled children whose noncustodial parents lacked one or more of the above attributes. We also eliminated children who were not eligible for SCHIP because they were on Medicaid, they had private health insurance, or their family income was too high.

Detailed Analysis of Children Without Health Insurance

On the basis of our initial analysis, we eliminated 118 of the 200 sampled children from further calculations. For the remaining 82 children, we calculated the amounts that noncustodial parents could potentially contribute toward SCHIP premiums if their children had been enrolled:

- The noncustodial parents of 55 children could potentially contribute \$28,853 toward the total premiums of \$40,420 (Federal and State combined). Projecting these results to the population of 36,107 Title IV-D children without SCHIP, we estimated that 14,804 children would have been eligible to receive SCHIP benefits. Of these, 9,929 children had noncustodial parents who could potentially contribute \$5,209,038, or 71 percent of the total \$7,297,284 in SCHIP premiums that would have been incurred if these children had been enrolled in the program. These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices B and D for detailed sampling results and projections.)
- The noncustodial parents of 27 children could not contribute toward the SCHIP premiums.

Detailed Analysis of Children Who Received SCHIP Benefits

On the basis of our initial analysis, we eliminated 25 of the 100 sampled Title IV-D children from further calculations because the noncustodial parents had employer-sponsored health care coverage, Virginia incorrectly listed the children in SCHIP managed care plans, or the Title IV-D agency incorrectly listed the children as having a health care order.

For the remaining 75 sampled children, we found that:

- The noncustodial parents of 40 children could potentially contribute \$17,334 toward total premiums of \$27,154 (Federal and State combined). Projecting these results to the population of 1,116 Title IV-D children in SCHIP managed care plans, we estimated that 446 children had noncustodial parents who could potentially contribute \$193,453, or 64 percent of the total \$303,041 in SCHIP premiums (Federal and State combined). These estimates represent the midpoint of the 90-percent confidence interval. (See Appendices C and E for detailed sampling results and projections.)
- The noncustodial parents of 35 children could not have afforded to pay any of the SCHIP premiums.

RECOMMENDATIONS

Based on our review, we recommend that Virginia:

- use the Title IV-D agency as an enrollment tool for SCHIP
- broaden its authority to require noncustodial parents with medical support orders to pay all or part of the SCHIP premiums for their dependent children

COMMONWEALTH'S COMMENTS

The Commonwealth agreed with the concept of holding financially able parents accountable for the medical expenses of their children but said that doing so would require an automated interface between the SCHIP and Title IV-D databases, without which our recommendation would be cost prohibitive. Additionally, they stated that the recommendation could not be implemented by comparing SCHIP enrollment and Title IV-D records due to a lack of required information. The Commonwealth noted that it had begun working toward an interface. The Commonwealth also said that it would need legislation authorizing the courts and the Title IV-D agency the flexibility to either order private health care coverage, if available at a reasonable cost, or to require that a percentage of income be contributed toward SCHIP premiums.

According to the Commonwealth, the Title IV-D agency could refer children to SCHIP but could not require children to enroll in SCHIP. The Commonwealth also pointed out that it recently changed its SCHIP program to increase enrollment by not requiring families of recipients to cooperate with the Title IV-D agency as a condition of eligibility.

The Commonwealth's comments are included in their entirety in Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

We agree that an interface between the Title IV-D and the SCHIP agencies would be a more efficient means to require financially able parents to contribute toward their children's SCHIP premiums. However, until this interface is complete, the Commonwealth could accomplish similar results by periodically (semiannually or annually) comparing SCHIP enrollment and Title IV-D records and possibly focus on those SCHIP premiums that exceed a certain dollar threshold. We found the information required for this comparison in the Commonwealth's SCHIP system and made a similar comparison of our sample cases with the assistance of SCHIP system personnel. The Commonwealth could use information technology experts from its SCHIP and Title IV-D agencies to determine how to extract the necessary data.

OTHER MATTER: CONCERN OVER SUPPORT REDUCTION

During our review, Title IV-D officials expressed concerns about possible child support payment reductions resulting from noncustodial parent health care coverage payments. This situation might occur when the noncustodial parent pays the custodial parent's portion of the health care coverage payment and deducts it from the cash support payment. Using Virginia child support guidelines for a sample of nine children with savings, we determined that SCHIP payments reduced noncustodial parents' cash support payments by a total of \$1,711. Projected to the population of 1,116 children in SCHIP managed care plans, this resulted in \$19,099 in reduced support payments for children whose noncustodial parents could potentially contribute \$193,453 to cover their children's SCHIP premiums.

For children without SCHIP, we found that support payments would be reduced by \$1,634 for 11 sampled children who could be enrolled and whose noncustodial parents could potentially contribute. Projected to the population of 36,107 potential SCHIP enrollees, this resulted in \$295,018 in reduced support payments for children whose noncustodial parents could potentially contribute \$5,209,038 to the SCHIP premiums.

Based on our statistical results, the potential reductions to the custodial parents support are relatively small. However, we did not consider these reductions in determining the amount that noncustodial parents could contribute toward SCHIP. The Commonwealth could take appropriate steps to eliminate cost-sharing support reductions and require noncustodial parents to contribute toward SCHIP premiums without reducing the cash support payments to custodial parents.

APPENDICES

DETAILS ON OUR SAMPLING METHODOLOGY AND SAVINGS CALCULATIONS

Sampling Methodology

- ✓ We used an extract from the Title IV-D agency to create a universe of 37,513 Title IV-D children whose noncustodial parents had made at least three child support payments during the audit period.
- ✓ We obtained an extract from the State's SCHIP computer system identifying all children who received SCHIP managed care benefits during the audit period.
- ✓ We tested the accuracy and completeness of the extracts from the Title IV-D agency and the SCHIP systems.
- ✓ We matched the universe created from the Title IV-D agency extract to the extract of children receiving SCHIP benefits to create a population of:
 - 36,107 Title IV-D children who did not receive SCHIP benefits during the audit period
 - 1,116 Title IV-D children who were enrolled in an SCHIP managed care plan during the audit period
- ✓ We used simple random sampling techniques to select:
 - 200 children from the population of 36,107 who did not receive SCHIP benefits during the audit period
 - 100 children from the population of 1,116 who were enrolled in SCHIP managed care plans during the audit period

Savings Calculations

- ✓ We reviewed Title IV-D agency guidelines for calculating child support payments.
- ✓ We determined, for the sampled items in each population, if the noncustodial parents:
 - had a current child support obligation
 - made three or more child support payments
 - met their current child support obligation
- ✓ We reviewed State records for sampled children to determine if the noncustodial parent was able to provide court-ordered medical support.

- ✓ We eliminated those sampled children who received private health insurance through their noncustodial parents. To identify these children, we relied on information in State records.
- ✓ We determined, for the sampled children who did not receive SCHIP benefits, the number of children who could have been eligible to receive SCHIP benefits if no other health insurance had been available. These determinations were made, in accordance with SCHIP income eligibility levels, using information from the Virginia Employment Commission and the ACF's Office of Child Support Enforcement.
- ✓ We determined the amount of medical support that noncustodial parents could have contributed toward their children's SCHIP premiums by reducing each noncustodial parent's net monthly income by (1) the amount of monthly child support the noncustodial parent was ordered to pay and (2) the minimum self-support reserve to which the noncustodial parent was entitled. We then divided the amount available for medical support by the number of children the noncustodial parent had in our two populations to determine the amount available, if any, for medical support for each sampled child.
- ✓ We computed the potential savings to SCHIP by comparing the amount of medical support that the noncustodial parent could pay with the monthly SCHIP premiums that the State and Federal Governments paid on behalf of the noncustodial parent's child. The SCHIP premiums represented the months in which the noncustodial parent had a current child support obligation and was unable to provide court-ordered medical support. The potential savings to SCHIP was the lower of (1) the amount of medical support that the noncustodial parent could pay or (2) the monthly SCHIP premiums the State and Federal Governments paid on behalf of the noncustodial parent's child.
- ✓ We used attribute¹ and variable² appraisal programs to estimate (1) the number of children whose noncustodial parents did not provide court-ordered medical support and who could have been eligible for SCHIP if no other health insurance had been available, (2) the number of children who received SCHIP benefits because their noncustodial parents were unable to provide court-ordered medical support, and (3) the savings to SCHIP if noncustodial parents from both populations had been required to make monthly contributions toward the SCHIP premiums of their children.

¹ An attribute appraisal program is a computer program that estimates the proportion of the population or the number of items in the population that have the attribute. An attribute is a characteristic that an item either has or does not have. In attribute sampling, the selected sampled items are evaluated in terms of whether they have the attribute of interest.

² A variable appraisal program is a computer program that computes a statistic from the sample values to estimate the population parameter, *e.g.*, an estimate of the total dollar amount of error in the population. In variable sampling, the selected sampling units are evaluated with respect to a characteristic having values that can be expressed numerically or quantitatively, *e.g.*, the dollar amount of error in a voucher.

**STATISTICAL SAMPLING INFORMATION:
TITLE IV-D CHILDREN NOT RECEIVING SCHIP BENEFITS**

**Sampling Results
(Federal and State Combined Costs)**

Population (Children)	Sample Size (Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 82 Children)	Sampled Items With No Savings (Children)	SCHIP Premiums (for 27 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 55 Children)	Potential SCHIP Savings (for 55 Children)
36,107	200	82	\$59,503	27	\$18,996	55	\$40,420	\$28,853

**Projection—Population of 36,107 Children
(Federal and State Combined Costs)
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With No Savings (Children)	SCHIP Premiums (for Items With No Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	16,980	\$12,651,944	6,543	\$4,645,631	11,973	\$8,986,411	\$6,523,659
Point Estimate (Midpoint)	14,804	\$10,742,441	4,874	\$3,429,428	9,929	\$7,297,284	\$5,209,038
Lower Limit	12,700	\$8,832,938	3,506	\$2,213,226	8,068	\$5,608,158	\$3,894,416
Precision	N/A	17.78%	N/A	35.46%	N/A	23.15%	25.24%

**STATISTICAL SAMPLING INFORMATION:
TITLE IV-D CHILDREN RECEIVING SCHIP BENEFITS**

**Sampling Results
(Federal and State Combined Costs)**

Population (Children)	Sample Size (Children)	Sampled Items With Characteristics of Interest (Children)	SCHIP Premiums (for 75 Children)	Sampled Items With <u>No</u> Savings (Children)	SCHIP Premiums (for 35 Children)	Sampled Items With Potential Savings (Children)	SCHIP Premiums (for 40 Children)	Potential SCHIP Savings (for 40 Children)
1,116	100	75	\$44,646	35	\$17,492	40	\$27,154	\$17,334

**Projection—Population of 1,116 Children
(Federal and State Combined Costs)
(Precision at the 90-Percent Confidence Level)**

	Items With Characteristics of Interest (Children)	SCHIP Premiums (for Items With Characteristics of Interest)	Items With <u>No</u> Savings (Children)	SCHIP Premiums (for Items With <u>No</u> Savings)	Items With Potential Savings (Children)	SCHIP Premiums (for Items With Potential Savings)	SCHIP Savings (for Items With Potential Savings)
Upper Limit	912	\$567,499	483	\$245,829	540	\$375,377	\$242,608
Point Estimate (Midpoint)	837	\$498,251	391	\$195,210	446	\$303,041	\$193,453
Lower Limit	750	\$429,002	305	\$144,591	358	\$230,704	\$144,298
Precision	N/A	13.90%	N/A	25.93%	N/A	23.87%	25.41%

**ANALYSIS OF PROJECTIONS:
TITLE IV-D CHILDREN NOT RECEIVING SCHIP BENEFITS**

As explained in Appendix B, we estimated that 9,929 children had noncustodial parents who could have contributed \$5,209,038 toward the \$7,297,284 (Federal and State combined) in SCHIP premiums that would have been incurred if their children had been enrolled in SCHIP during our audit period. All estimates were made at the midpoint of the 90-percent confidence interval. The following table itemizes our estimates of whether the noncustodial parents could have paid all or part of the SCHIP premiums and should assist Virginia in implementing new legislation.

Population of Title IV-D Children Not Receiving SCHIP Benefits (36,107 Children)

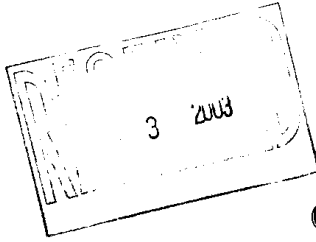
	Noncustodial Parent Can:	Sample Value	Projection at Midpoint
Number of Children	Pay <u>part</u> of premium	22	3,972
	Pay <u>all</u> of premium	33	5,958
	Total	55	9,929
SCHIP Premiums	Pay <u>part</u> of premium	\$17,396	\$3,140,567
	Pay <u>all</u> of premium	23,024	4,156,717
	Total	\$40,420	
SCHIP Savings	Pay <u>part</u> of premium	\$ 8,173	\$1,475,467
	Pay <u>all</u> of premium	20,681	3,733,570
	Total	\$28,853	

**ANALYSIS OF PROJECTIONS:
TITLE IV-D CHILDREN RECEIVING SCHIP BENEFITS**

As explained in Appendix C, we estimated that 446 children had noncustodial parents who could have contributed \$193,453 toward the \$303,041 (Federal and State combined) in SCHIP premiums paid on behalf of their children. All estimates were made at the midpoint of the 90-percent confidence interval. The following table itemizes our estimates of whether the noncustodial parents could have paid all or part of the SCHIP premiums and should assist Virginia in implementing new legislation.

Population of Title IV-D Children Receiving SCHIP Benefits (1,116 Children)

	Noncustodial Parent Can:	Sample Value	Projection at Midpoint
Number of Children	Pay <u>part</u> of premium	21	234
	Pay <u>all</u> of premium	19	212
	Total	40	446
SCHIP Premiums	Pay <u>part</u> of premium	\$16,757	\$187,011
	Pay <u>all</u> of premium	10,397	116,030
	Total	\$27,154	
SCHIP Savings	Pay <u>part</u> of premium	\$7,150	\$ 79,794
	Pay <u>all</u> of premium	10,184	113,658
	Total	\$17,334	



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

October 28, 2003

Mr. Stephen Virbitsky
OIG, Office of Audit Services
150 South Independence Mall West, Suite 316
Philadelphia, Pennsylvania 19106-3499

Reference Number: A-03-02-00203

Dear Mr. Virbitsky:

Thank you for the opportunity to review the Office of Inspector General's (OIG) draft report entitled "Review of Using the Virginia Child Support Enforcement (Title IV-D) Agency as a SCHIP Enrollment Tool."

We agree with the concept that the Virginia Department of Social Services' Division of Child Support Enforcement (DCSE) could act as an enrollment tool for SCHIP, known in Virginia as the Family Access to Medical Insurance Security (FAMIS) program. In fact, we already do that in a limited capacity. All of our child support district offices display FAMIS posters and have FAMIS brochures available in the waiting areas. Also, our notification letters to custodial parents, informing them that health care coverage is not available through the noncustodial parent's place of employment, provide information on how to obtain information concerning FAMIS coverage. It should be noted that DCSE can only refer custodial parents and provide information on FAMIS. We are not in a position to require that children be enrolled.

FAMIS recipients cannot currently be required to cooperate with DCSE as a condition of eligibility for their children. Under the state's original Children's Medical Security Insurance Plan (CMSIP), custodial parents were required to cooperate with DCSE. This proved detrimental in the recruitment process. In many cases, custodial parents opted not to enroll the children rather than have to work with DCSE. Virginia's enrollment numbers in 2000 under the CMSIP were very low and, coincidentally, Virginia's revised FAMIS program dropped this cooperation requirement in 2001.

We agree with the concept of holding parents who are financially able accountable for the medical expenses of their children. However, increasing the accountability of these parents through DCSE is a more complex and difficult proposition than what is stated in the report. In Virginia, FAMIS is administered through the Department of Medical

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Assistance Services (DMAS) and local social services departments. Currently, DCSE does not have an automated interface with DMAS. Therefore, there is no capability to identify children on DCSE cases that are enrolled in FAMIS. DCSE and DMAS are currently working on an interface that will match Medicaid information. Once this interface is in place, it will be possible to look at taking this system one step further to match FAMIS cases. Such an interface would be a mandatory prerequisite to taking actions recommended in the report in reference to requiring noncustodial parents to pay all or part of the SCHIP expenses for their dependent children.

Legislation would be necessary to require noncustodial parents to reimburse costs of SCHIP. As a practical matter, such a law would need to give the courts and DCSE flexible authority to order health care to be provided, if available at reasonable costs, from a private insurer or that a percentage of income be contributed towards the cost of SCHIP. Prior to pursuing legislation, the capabilities of the automated systems will have to progress to the degree that the necessary infrastructure would allow DCSE and DMAS to interface. Without an efficient interface, the work required of the IV-D Agency staff as a result of the recommendations in the report would be cost prohibitive.

Once barriers are overcome, the recommendations would have to be implemented gradually, as stated in the report. The IV-D agency would incorporate the provisions in new orders. Existing orders would be changed only as they came up for review and modification.

We thank the Inspector General's Office for performing a valuable service by bringing these issues to the table for discussion. DCSE will continue to work with DMAS to resolve the barriers to this proposal as we work together to promote accountability for medical insurance costs.

Sincerely,



Maurice A. Jones
Commissioner

ACKNOWLEDGMENTS

This report was prepared under the direction of Stephen Virbitsky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

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